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Chairman: Mr. Kmoníček ..... (Czech Republic)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Kuznetsov

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The meeting was called to order at 10.10 a.m.

Agenda item 134: Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (*continued*) (A/58/723 and A/58/732)

1. **Ms. Pollard** (Director of the Peacekeeping Financing Division), introducing the note by the Secretary-General on the implementation of paragraph 3 of General Assembly resolution 57/323 (A/58/723), said that, by that resolution, the General Assembly had requested the Secretary-General to return 50 per cent of the net cash available for credit to Member States as at 30 June 2002, in the amount of $84,446,000, by 30 June 2003, and had decided to postpone the return of the remaining 50 per cent until 31 March 2004 in respect of the fund balances of the closed missions listed in paragraph 1 of the note. The net cash available for credit to Member States as at 29 February 2004 amounted to $57,399,000.

2. Loans totalling $152 million had been made between 30 June 2003 and 29 February 2004 in order to sustain the operations of the United Nations Interim Administration Mission in Kosovo (UNMIK), the United Nations Mission for the Referendum in Western Sahara (MINURSO), the International Tribunal for the Former Yugoslavia (ICTY) and the International Criminal Tribunal for Rwanda (ICTR). Those loans had resulted from significant cash shortages owing to significant non-payment of assessments, which threatened the viability of those operations. The cash available in the Peacekeeping Reserve Fund as at 29 February 2004 amounted to $74.0 million. That, together with the $57.4 million currently available in the special accounts of closed missions, totalled $131.4 million.

3. The Security Council had established the United Nations Operation in Côte d'Ivoire (UNOCI) by its resolution 1528 (2004) and had declared its readiness to establish a follow-on stabilization force in Haiti (resolution 1529 (2004)). The extension of the United Nations Mission of Support in East Timor (UNMISET) for a further 12-month period and potential operations in Burundi and the Sudan would give rise to immediate cash requirements before the General Assembly was in a position to review and approve the related budgets and the amounts to be assessed. In addition, there was a significant time lag between the approval of assessments and the collection of contributions.

4. The cash related to closed missions ($57.4 million) and the amount available in the Peacekeeping Reserve Fund ($74.0 million) would therefore be required to meet the immediate cash requirements of UNOCI and the potential new missions. Under the circumstances, prudence dictated that the return to Member States of the amount of $84,446,000, representing 50 per cent of the net cash available for credit to Member States as at 30 June 2002, should be postponed and the issue revisited by the General Assembly at the main part of its fifty-ninth session.

5. **Mr. Kuznetsov** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee contained in document A/58/732, said that the Advisory Committee had conducted a thorough analysis of the issue of the return of cash available for credit to Member States from closed missions and of the level of the Peacekeeping Reserve Fund, taking into account the projected cash requirements for a number of prospective peacekeeping missions.

6. The Organization faced an unusual situation where potentially large and expensive peacekeeping missions might come one after another. Thus, cash available in closed missions would be required to supplement the Peacekeeping Reserve Fund. Loans totalling $152 million had been made to address significant cash shortages in UNMIK, MINURSO, ICTY and ICTR, due to non-payment of assessments.

7. The postponement of the return of available cash to Member States was a policy decision to be made by the General Assembly. However, cash from closed missions was the only source for temporary cross-borrowing when tribunals or active missions ran out of cash. Other funding options, such as the Peacekeeping Reserve Fund, were restricted in use. Moreover, the Peacekeeping Reserve Fund would be required to meet the immediate cash needs of UNOCI and UNMISET as well as of other potential missions, and the strategic deployment stocks (SDS) did not have the capacity to meet all eventualities. An increase in the level of the Peacekeeping Reserve Fund would not address the short-term liquidity problem, which could be solved only by an improved pattern of payment of assessed contributions.

8. The Advisory Committee recommended acceptance of the proposals of the Secretary-General to maintain the authorized level of the Fund at $150 million and that the balance in excess of the authorized level should be applied to meet the financing of the support account for peacekeeping operations for the period from 1 July 2004 to 30 June 2005.

9. **Ms. Stanley** (Ireland), speaking on behalf of the European Union, the acceding countries (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia), the associated countries (Bulgaria, Romania and Turkey), the stabilization and association process countries (Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro) and, in addition, Iceland, Liechtenstein and Norway, said that the postponement of the return to Member States of the amount of $84.4 million from closed peacekeeping missions in order to meet the immediate cash needs of new and expected missions would not provide a solution to the dire ongoing financial problems of the United Nations but merely a temporary "band-aid". Currently, those Member States that paid their assessed contributions in full and on time were subsidizing those that did not; retaining the cash from closed missions was another form of subsidy, which would be unacceptable to the European Union.

10. The Organization was facing a cash shortfall because of the late payment or non-payment of assessments by many Member States. In that connection, she urged the United States to review and adjust its payment schedule so as to ensure the financial viability of the United Nations throughout the year. Lastly, she requested the Secretary-General to issue a clear statement on the causes of the Organization's cash flow problems.

11. **Mr. Dutton** (Australia), speaking also on behalf of Canada and New Zealand, said that the United Nations was experiencing an extraordinary acceleration in peacekeeping activity, creating significant cash requirements which might exceed the level of the Peacekeeping Reserve Fund. It was imperative for the United Nations to have the necessary cash at its disposal to launch those missions quickly and effectively. At the same time, the cash situation was much worse than it should be due to the failure of many Member States to pay their assessments, despite their legal obligation to do so.

12. The Secretary-General had presented a possible solution by retaining $84 million in closed mission accounts. If the request were necessary only because of the unique expansion in peacekeeping activity, the answer would be simpler, but it also arose from the fact that the United Nations was struggling because of non-payment by Member States. That raised a question of principle, as Member States were being asked to forego repayment of money owed to them in order to ameliorate a situation caused by others not paying their assessments. That situation was inequitable, since Member States that had met their own financial obligations should not have to cover those of others.

13. The delegations on whose behalf he spoke would like to receive a full summary of the current cash situation and a list of outstanding contributions broken down by account and Member State. It would also be helpful to have a paper showing which States were owed the money the Secretariat wished to retain and identifying those that had arrears in other accounts. Alternative and more equitable solutions, such as retaining the money of only those States that had arrears in other accounts or offsetting credits for such States against their arrears should be explored. It would also be useful to know whether States with substantial arrears could solve the problem by paying them quickly and whether recent or prospective payments changed the overall situation. Lastly, the possibility should be discussed of allowing the Secretariat to cross-borrow from active peacekeeping missions for the purpose of starting up new missions.

14. Neither the Charter nor any of the resolutions of the General Assembly allowed States to choose which accounts they wished to pay or when. All Member States must make immediate efforts to clear their arrears, as the only means by which the financial stability of the United Nations could be assured.

15. **Mr. Wins** (Uruguay) said that his Government attached the highest priority to peacekeeping operations and, despite its own difficult financial situation, had made every effort to honour its commitments. Its main contribution to peacekeeping was in the form of human resources. Over 1,800 of its troops were deployed on various missions, especially in Africa.

16. The Committee must deal with the financial impact of the recently approved peacekeeping operations and potential new ones in the best possible

way. The expected funding needs described in paragraphs 6, 7 and 9 of the Advisory Committee's report (A/58/732) made it clear that the Peacekeeping Reserve Fund and the special accounts of the closed missions would be insufficient. The practice of cross-borrowing had been strongly criticized and it was an alternative that his delegation did not support. It did support, however, the proposal of the Secretary-General. The main troop-contributing countries were developing countries with limited resources and in some cases a delay in reimbursement would be a sacrifice. The situation was a complex one, but the Secretary-General's proposal was the most pragmatic solution.

17. **Ms. Lock** (South Africa) said that, in accordance with the Charter of the United Nations, the expenses of the Organization should be borne by the Members. Accordingly, all Member States should pay their assessed contributions in full, on time and without conditions. However, sympathetic consideration should be given to those States that were unable to fulfil their obligations because of genuine economic difficulties.

18. When the Committee had considered the return of cash from closed peacekeeping missions in May 2003, her delegation had advocated a cautious approach, although it had agreed that it was only fair to reimburse those Member States that had met all their commitments to the missions concerned. Subsequently, loans totalling $152 million had been made from the fund balances of closed missions in order to sustain UNMIK, MINURSO and the two International Tribunals. While her delegation remained concerned about the practice of cross-borrowing, it recognized that late payment and non-payment of assessed contributions had left the Secretary-General with little alternative.

19. Given that cash from closed missions was the only source that could be used for temporary cross-borrowing and that the requirements of UNOCI and potential missions in Haiti, Burundi, Sudan and Cyprus might exceed the cash available in the Peacekeeping Reserve Fund, the United Nations was clearly not in a position to return even a portion of the remaining $84.4 million to Member States. Her delegation therefore supported the Secretary-General's proposal to retain that sum for the time being. Its position was based on its conviction that peacekeeping was a core task of the United Nations that made a valuable contribution to the maintenance of international peace and security and its belief that Member States had a collective responsibility to ensure the Organization's financial stability.

20. Her delegation noted with concern that payments to Member States for troop costs and contingent-owned equipment might have to be postponed in order to conserve cash until assessed contributions came in. It trusted that every effort would be made to avoid such a situation, since delays in reimbursement would place an unacceptable burden on developing countries.

21. Lastly, she assured the Committee of South Africa's continued commitment to meet its financial obligations to the United Nations in full, on time and without conditions.

22. **Mr. Wittmann** (United States of America) said that his delegation had expressed its concern about the financial health of the United Nations at the previous session and had stated that it was very reluctant to distribute the funds from closed peacekeeping operations, since that would eliminate a vital source of cross-borrowing. At the same time, it did not favour the concept of cross-borrowing, which provided an artificial cushion as opposed to the necessary fiscal discipline. Nevertheless, the Secretariat had made a case for retention of the funds, given the unexpected and extraordinary expenses of three new peacekeeping operations. His delegation was inclined to support the request of the Secretary-General that the distribution should be postponed and the issue revisited by the General Assembly at its fifty-ninth session.

23. **Mr. Kendall** (Argentina) said that his delegation associated itself with the statements made by the representatives of Uruguay, South Africa and the United States of America.

24. **Mr. Elnaggar** (Egypt) said that his delegation agreed in general with the statements made by the representatives of Uruguay, South Africa and the United States of America. While measures by the Secretariat were no substitute for the commitment of Member States to meet their obligations in full and on time, the trend towards the establishment of new peacekeeping operations made the request by the Secretary-General understandable.

25. **Ms. Udo** (Nigeria) recalled that, when the General Assembly had adopted resolution 57/323, outstanding assessed contributions to peacekeeping missions had totalled $1.4 billion. At the same time,

Nigeria, along with other troop contributors, had been owed considerable sums of money. Thus, the decision to postpone the return of a portion of the net cash available for credit to Member States from closed missions had not been an easy one. Her delegation had acted out of its commitment to the Organization and its desire to provide the Secretary-General with the resources necessary to execute the mandates given him by Member States.

26. Once again, Member States faced a difficult choice. The Security Council had approved new mandates and a number of potential missions were on the horizon. All of those would give rise to immediate cash requirements, which could not be met solely from the Peacekeeping Reserve Fund. The only additional source of funding was the cash remaining in the accounts of closed missions.

27. The adoption of the course of action proposed in document A/58/723 would create considerable hardship for Nigeria. However, her delegation concurred with the Secretary-General that prudence dictated that the return to Member States of the amount of $84.4 million should be postponed, and it shared the views expressed by the representatives of Uruguay, South Africa, the United States and Egypt in that regard.

28. It believed in the full, timely and unconditional payment by all Member States of assessed contributions based on their capacity to pay. Nigeria, for its part, was endeavouring to fulfil its financial obligations to the United Nations and continued to be a major troop contributor.

29. **Mr. Mazumdar** (India) said that his delegation agreed that the situation was unique. While new peacekeeping operations had been approved, both the Peacekeeping Reserve Fund and cash balances were low and strategic deployment stocks had been depleted. His delegation was also concerned that $152 million in loans had to be made to current operations. It understood the legitimate concerns of those who felt that they should not be penalized for non-payment of assessments by some Member States. It also agreed that the Secretary-General's proposal was only a temporary solution to prevent peacekeeping operations from becoming paralysed. His delegation would not accept any proposal to change the long-standing practice of not cross-borrowing from active peacekeeping missions. In view of the situation, however, there was no alternative but to support the Secretary-General's proposal.

30. **Mr. Bouheddou** (Algeria) said that cross-borrowing was not an ideal solution, but was necessary in certain situations. His delegation therefore supported the recommendations contained in the report of the Advisory Committee.

31. **Mr. Rahman** (Bangladesh) said that, while his delegation remained concerned about the practice of cross-borrowing, it recognized that the financial situation of the United Nations demanded that cash from closed peacekeeping missions should be retained in order to meet unexpected costs in other missions. It wished to urge all Member States to pay their assessed contributions in full, on time and without conditions.

32. **Mr. Rojanapaibulya** (Thailand) said that he shared the views of previous speakers who had expressed support for the Secretary-General's proposal. He called on all Member States to fulfil their financial obligations to the United Nations, noting that, since peacekeeping was one of the Organization's core tasks, it was imperative for Members to support it.

33. **Mr. Chaudhry** (Pakistan) said that his delegation endorsed the statements made by the representatives of South Africa, Argentina and the United States. It fully supported the Secretary-General's proposal, as outlined in document A/58/723. Lastly, it wished to urge all Member States to fulfil their financial obligations to the United Nations in a timely fashion.

34. **Mr. Kozaki** (Japan) said that his delegation shared the views of previous speakers who had expressed support for the Secretary-General's proposal. It also concurred with the views of the Advisory Committee.

35. **Ms. Afifi** (Morocco) said that her delegation, too, supported the Secretary-General's proposal and the recommendations of the Advisory Committee.

36. **Ms. Pollard** (Director of the Peacekeeping Financing Division) said that there were two factors behind the Organization's cash flow problems. The first related to the new missions that were envisaged. There would be a significant time lag between the approval of assessments for those missions and the collection of contributions, while their immediate requirements would exceed the cash available in the Peacekeeping Reserve Fund. The proposal outlined in document A/58/723 was intended to address that problem. The

second factor was the non-payment of assessments, which had led to significant cash shortages in UNMIK, MINURSO and the two International Tribunals. Loans had been made to sustain those operations, but the only long-term solution was the payment of assessed contributions in full and on time.

37. Concerning the delay between the approval of assessments and the collection of contributions, she noted by way of example that, while the United Nations Mission in Liberia had been authorized in October 2003, assessments had not been issued until January 2004 and contributions were only just starting to come in. In the meantime, the Secretariat had had to borrow $76 million from the Peacekeeping Reserve Fund to keep the Mission operationally solvent.

38. Responding to the proposal that closed mission cash should be withheld only from Member States with arrears in other accounts, she said that the Secretariat could not take such a step unilaterally and would need the consent of the States concerned. As to the suggestion that cash in active peacekeeping missions could be used to support new missions, that practice was expressly prohibited by legislation and could adversely affect the operational requirements of the missions concerned, as well as payments to troop-contributing countries.

39. In that connection, she noted that, in 2003, the Secretariat had set quarterly targets for payments for troop costs and contingent-owned equipment. Those targets had been met in most missions, and the first quarterly payments for 2004 were expected to be made in late March or early April. It might, however, prove necessary to postpone those payments in the case of UNMISET, since, if the Security Council decided to extend the Mission beyond the planned liquidation date of 20 May 2004, interim funding would be required until a revised budget could be submitted in the autumn.

40. Concerning the request for a summary of the current cash situation, she said that the Under-Secretary-General for Management would make a statement at the second part of the resumed fifty-eighth session of the General Assembly in May 2004 covering all aspects of the Organization's operations, including cash flow. The Contributions Service was compiling a list of outstanding contributions, which should be available later in the morning.

The meeting rose at 11 a.m.